

Message Text

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ORIGIN EUR-04

INFO OCT-01 ISO-00 /005 R

66011

DRAFTED Y:EUR:NE:KSMITH

APPROVED BY:EUR:WE:REBARBOUR

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R 031922Z DEC 76

FM SECSTATE WASHDC

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UNCLAS STATE 288318

FOLLOWING TELEGRAM FROM SECSTATE WASHDC DATED NOVEMBER 24,
1976 SENT LISBON IS REPEATED TO YOU: QUOTE

UNCLAS STATE 288318

E.O. 11652: N/A

TAGS: PO, EAID, EFIN

SUBJECT: IMF ROLE IN BOP LOANSTRESSED IN TIMES ARTICLE

FOLLOWING APPEARED IN N.Y. TIMES WED. NOV. 24 EDITION,
PAGE 1, FINANCIAL SECTION, BYLINE EDWIN L. DALE, JR.:
QUOTE A UNITED STATES PROPOSAL FOR A LARGE PACKAGE OF
HELP FOR PORTUGAL INCLUDES A NEW CONCEPT IN INTER-
NATIONAL RESCUE PACKAGES-THAT THE INTERNATIONAL MONETARY
FUND ADMINISTER AND MANAGE A FUND OF ABOUT \$1.5 BILLION
TO BE PROVIDED BY INDIVIDUAL DONOR NATIONS.

THIS WAS DISCLOSED TODAY BY EDWIN H. YEO, UNDER SECRE-
TARY OF THE TREASURY FOR MONETARY AFFAIRS, IN AN INTER-
UNCLASSIFIED

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VIEW. MR. YEO ELABORATED ON THE PLAN TO HELP PORTUGAL,
WHICH IS TO BEGIN WITH SHORT-TERM AID FROM THE UNITED
STATES OF \$300 MILLION PENDING NEGOTIATION OF A BROADER
PACKAGE.

UNDER THE PLAN, CONGRESS WOULD BE ASKED TO APPROVE A SEPARATE BILL INVOLVING ONLY PORTUGAL, WHICH WOULD NOT BE PART OF THE GENERAL FOREIGN AID BILL. THE UNITED STATES SHARE OF THE \$1.5 BILLION PACKAGE, MR. YEO SAID, WOULD BE 30 TO 40 PERCENT, AND CONGRESS WOULD VOTE IT IN THE KNOWLEDGE THAT IT WOULD BE ADMINISTERED BY THE I.M.F., NOT THE UNITED STATES GOVERNMENT.

CONSULTATIONS WITH MEMBERS OF CONGRESS AND WITH EUROPEAN GOVERNMENTS HAVE BEGUN, MR. YEO SAID. HE TERMED THE REACTION TO THE UNITED STATES PLAN "GENERALLY POSITIVE" BUT EMPHASIZED THAT NO COMMITMENTS HAD BEEN MADE.

THE IDEA WILL ALSO BE TAKEN UP, TOGETHER WITH OTHER MATTERS, WITH PRESIDENT-ELECT CARTER'S NOMINEE AS SECRETARY OF THE TREASURY SOON AFTER MR. CARTER MAKES HIS SELECTION, MR. YEO SAID.

"THEY MAY OR MAY NOT SUPPORT IT," HE SAID.

THE BASIC REASON FOR THE UNUSUAL PLAN IS PORTUGAL'S UNUSUAL SITUATION-A REVOLUTION OVERTHROWING A LONG-STANDING DICTATORSHIP FOLLOWED BY ABOUT TWO YEARS OF TURBULENCE AND THEN ELECTION OF A GOVERNMENT OF A SOCIALIST CAS' BUT COMMITTED TO THE WESTERN ALLIANCE. THE NATION'S INTERNATIONAL MONETARY RESERVES HAVE BEEN NEARLY DEPLETED.

THE TREASURY, ACCORDING TO MR. YEO, INTENDS TO PROCEED WITH THE SHORT-TERM LOAN OF \$300 MILLION FROM ITS EXCHANGE STABILIZATION FUND IN ANY EVENT. DETAILS OF THIS LOAN, WHICH DOES NOT REQUIRE APPROVAL BY CONGRESS, ARE NOW BEING WORKED OUT WITH PORTUGAL.

MR. YEO EXPLAINED THAT PORTUGAL HAD "STRUCTURAL" PROBLEMS WHOSE SOLUTION REQUIRED MORE TIME AND LARGER AMOUNTS THAN COULD POSSIBLY BE PROVIDED BY THE I.M.F. IN ITS NORMAL OR UNCLASSIFIED

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EVEN "SUPERTRANCHE" LENDING-A TERM FOR LOANS BEYOND THE AMOUNT OF A MEMBER'S QUOTA. BUT THE I.M.F., HE ARGUED IS IDEAL FOR ADMINISTERING A LONGER-TERM PACKAGE LOAN IF IT IS WILLING TO TAKE ON THE JOB.

"PORTUGAL WOULD BE DEALING WITH ONLY ONE PERSON," HE SAID. "THE I.M.F. HAS THE STAFF, THE EXPERTISE AND THE ORGANIZATIONAL CAPACITY FOR THE JOB AND IT COULD FOLLOW THE SITUATION FOR THE DURATION NEEDED." UNQUOTE

ROBINSON UNQUOTE KISSINGER

UNCLASSIFIED

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Message Attributes

Automatic Decaptioning: X
Capture Date: 16 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, ECONOMIC ASSISTANCE, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE288318
Document Source: ADS
Document Unique ID: 00
Drafter:
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D760437-0969
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761293/baaaeqst.tel
Line Count: 109
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by hattaycs>; APPROVED <25 MAY 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IMF ROLE IN BOP LOANSTRESSED IN TIMES ARTICLE
TAGS: EAID, EFIN, PO, US, IMF
To: PARIS
BONN
TOKYO
LONDON
NATO
EC BRUSSELS

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006